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DEPARTMENT OF THE TREASURY

Office of Thrift Supervision

12 CFR Part 567

[No. 95-151]

RIN 1550-AA71

Regulatory Capital: Common Stockholders' Equity

AGENCY: Office of Thrift Supervision, Treasury.

ACTION: Final rule.

SUMMARY: The Office of Thrift Supervision (OTS), consistent with the other Federal banking agencies (collectively, the Agencies), is amending its capital rule to conform its definition of "common stockholders' equity" with the terminology used in referring to available-for-sale equity securities in Statement of Financial Accounting Standard No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS No. 115). Specifically, this rule substitutes the term "available-for-sale equity securities with readily determinable fair values" used in SFAS No. 115 for the current reference to "marketable equity securities" in the OTS definition of "common stockholders' equity."

The OTS has decided not to adopt other provisions of its June 1994 proposal that would include net unrealized gains and losses on all available-for-sale debt and equity securities in regulatory capital.

The OTS and the other Agencies had initially issued proposed rules to change institutions' regulatory capital computations to be consistent with generally accepted accounting principles (GAAP), as amended by SFAS No. 115. Although the Agencies' regulatory capital rules will not conform with SFAS No. 115, institutions will continue to be required to comply with

SFAS No. 115 for regulatory reporting purposes, as required by statute.

The Agencies decided not to change their regulatory capital standards to conform with SFAS No. 115 after extensive interagency discussion and consideration of comments received, most of which opposed the Agencies' proposals. Those comments included concerns about capital volatility if institutions were required to compute regulatory capital in accordance with SFAS No. 115, which would also have a prompt corrective action effect.

As a result of not amending the Agencies' capital rules to incorporate SFAS No. 115, available-for-sale debt securities will continue to be valued at amortized cost in computing regulatory capital. (This differs from their valuation at fair value under SFAS No. 115.) Available-for-sale equity securities will continue to be valued at the lower of fair value or amortized cost in computing regulatory capital, as they have been under the Agencies' capital rules.

EFFECTIVE DATE: October 1, 1995.

FOR FURTHER INFORMATION CONTACT: John F. Connolly, Senior Program Manager for Capital Policy, Supervision, (202) 906-6465, or Ellen J. Sazzman, Counsel, Regulations and Legislation Division, Chief Counsel's Office, (202) 906-7133, Office of Thrift Supervision, 1700 G Street, NW., Washington, D.C. 20552.

SUPPLEMENTARY INFORMATION:

I. Background of SFAS No. 115

Under the current OTS minimum regulatory capital requirements set forth at 12 CFR Part 567, common stockholders' equity is the primary component of core capital for most savings associations. It includes items that are generally the same as the items that comprised GAAP equity when the capital rule was adopted. Common stockholders' equity currently includes: (1) Common stock, (2) common stock surplus, (3) retained earnings, (4) adjustments for the cumulative effect of foreign currency translation, and (5) adjustments for net unrealized losses on non-current marketable equity securities. The net unrealized losses were those recorded under SFAS No. 12, "Accounting for Certain Marketable Securities."

In May 1993, the Financial Accounting Standards Board (FASB) amended GAAP by adopting SFAS No.

115, which superseded SFAS No. 12. SFAS No. 115 divides securities held by depository institutions into three categories: (1) Securities held to maturity; (2) trading account securities; and (3) securities available for sale.

Under SFAS No. 115, held-to-maturity securities generally are debt securities that an institution has the positive intent and ability to hold to maturity, as evidenced by standards established by SFAS No. 115. Held-to-maturity securities are to be recorded at amortized cost.

Under SFAS No. 115, trading securities are defined as those securities that an institution buys and holds principally for the purpose of selling in the near term. As under earlier accounting standards, these securities are to be reported at fair value (*i.e.*, generally at market value), with net unrealized changes in their value reported directly in the income statement as part of an institution's earnings.

Securities meeting the definition of the available-for-sale category (*i.e.*, all debt and equity securities not held for trading that an institution does not have the requisite intent and ability to hold to maturity) are to be reported at fair value. This category generally encompasses: (1) nontrading debt securities (*e.g.*, bonds, debentures, collateralized mortgage obligations) that an institution cannot show it will hold to maturity, and (2) nontrading equity securities (*e.g.*, Fannie Mae or Freddie Mac stock). Changes in the fair value of available-for-sale securities are to be reported, net of tax effects, directly in a separate component of common stockholders' equity. Consequently, any unrealized appreciation or depreciation in the value of securities in the available-for-sale category has no impact on the reported earnings of an institution but does affect its GAAP equity capital position.

In August 1993, the Federal Financial Institutions Examination Council (FFIEC) announced the adoption of SFAS No. 115 for regulatory reporting purposes, effective January 1, 1994. The OTS made a similar decision for regulatory reporting by savings associations in an August 16, 1993

policy statement.¹ Accordingly, all savings associations now follow SFAS No. 115 for regulatory reporting purposes. Associations reflect unrealized gains and losses on all available-for-sale securities (debt as well as equity), rather than just the net unrealized losses on marketable equity securities, as a separate capital component for regulatory reporting purposes.

II. OTS Proposed Rule and Interim Policy

The issuance of SFAS No. 115 raised the question of how net unrealized gains and losses on available-for-sale securities should be treated for purposes of calculating the amount of an association's regulatory capital under part 567. In its August 16, 1993 policy statement, the OTS permitted savings associations to adopt SFAS No. 115 for both financial reporting and capital purposes as early as June 30, 1993. This early adoption option was expressly permitted by SFAS No. 115, which did not become mandatory until the fiscal year beginning after December 15, 1993.

On June 22, 1994, the OTS published its proposal to amend the OTS capital rule to include the SFAS No. 115 capital component in core capital, replacing the superseded SFAS No. 12 component.² The other Agencies, the Office of the Comptroller of the Currency (OCC), the Federal Reserve Board (FRB), and the Federal Deposit Insurance Corporation (FDIC), published similar proposals to adopt SFAS No. 115 for regulatory capital purposes.³ The stated rationale for these proposals was to conform the Agencies' capital regulations to GAAP and to include unrealized gains and losses on available-for-sale debt and equity securities in regulatory capital.

In its June 22, 1994 notice of proposed rulemaking, the OTS requested comment on all aspects of the proposed rule, and specifically solicited comment on whether unrealized gains and losses under SFAS No. 115 should be included in core capital for purposes of the leverage ratio requirement, for purposes of the risk-based capital requirements and for purposes of Prompt Corrective Action (PCA).⁴ The OTS also specifically solicited comment on what changes, if any, in asset liability

management or risk management would likely result from the inclusion of SFAS No. 115 unrealized gains and losses in capital and whether such changes would increase or decrease risk to the Savings Association Insurance Fund (SAIF).⁵

The proposal's comment period closed on July 22, 1994. After consideration of the comments received and in anticipation of its final rule, the OTS issued a November 28, 1994 interim policy statement, which provided that the SFAS No. 115 capital component could no longer be included in regulatory capital.⁶

III. Comment Summary

In response to its notice of proposed rulemaking, the OTS received 10 comments: five from savings associations, one from a commercial bank, one from a state-chartered savings bank, two from financial institution trade associations, and one from an investment banking firm. Eight of the commenters generally opposed the OTS proposal, while two commenters strongly supported the proposal. The OTS has also considered the comments received by the other federal banking agencies in working with the other agencies to develop a consistent interagency position on SFAS No. 115.

A. Comments Opposing a SFAS No. 115 Component

Commenters opposing the proposal raised a number of common concerns. Their primary concern was a belief that the proposal would distort the true picture of savings associations' core capital. These commenters reasoned that the SFAS No. 115 capital component has less bearing on their institutions' financial strength than the institutions' more permanent base of common stock, paid-in surplus and retained earnings. Under SFAS 115, changes in interest rates could dramatically affect institutions' capital positions without affecting their amount of common stock and retained earnings and without them suffering any losses through their income statements.

Commenters asserted that another distortion arises because SFAS No. 115 requires that the change in fair value of securities subject to SFAS No. 115 be included in GAAP capital, but does not require that any offsetting changes in the value of associations' deposit bases and hedging instruments be included in GAAP capital.

A second related concern of commenters objecting to the proposal was that adopting the proposal would result in excessive volatility in associations' regulatory capital levels and present an inaccurate picture of associations' long-range viability. Commenters observed that associations' capital levels would change with temporary movements in interest rates, which in turn cause temporary changes in a security's market value. Commenters argued that associations may have sufficient capital and liquidity to give them the discretion to determine not to sell those securities when the market is unfavorable. These commenters submitted that because associations would not be forced to sell their available-for-sale securities in a market trough, they should not be required to include those unrealized losses on securities in their regulatory capital calculations. Such inclusion could result in volatile temporary fluctuations in the associations' regulatory capital levels, which in turn could trigger more permanent regulatory limitations and subject associations to increased deposit insurance premiums or PCA sanctions. These commenters argued that in the worst case, some associations with the ability to survive a temporary market trough might be forced into receivership because of unrealized losses in their SFAS No. 115 capital component.

A number of commenters stressed that associations might take steps to avoid unrealized losses that could harm their long-term financial viability. Some commenters said that associations would purchase shorter duration securities to avoid the greater volatility in the value of longer term securities. This action would lower the yield on associations' securities and reduce the net income that they could add to their retained earnings. Some commenters added that associations would have the incentive to make up for this lower yield by increasing the credit risk in their portfolios. This strategy would increase associations' yield in a potentially dangerous way not captured by SFAS No. 115 without necessarily affecting their reported capital levels.

Some commenters also contended that because SFAS No. 115 only applies to securities, associations would avoid

¹ See letter of August 16, 1993, from Acting Director Fiechter to the Chief Executive Officers of Savings Associations.

² 59 FR 32143 (June 22, 1994).

³ See 59 FR 18328 (April 18, 1994) (OCC); 58 FR 68563 (December 28, 1993) (FRB); 58 FR 68781 (December 29, 1993) (FDIC).

⁴ See 59 FR at 32144. The OTS's risk-based capital requirements are located at 12 CFR Part 567 and its PCA requirements are located at 12 CFR Part 565.

⁵ See 59 FR at 32144.

⁶ See letter dated November 28, 1994, from Acting Director Fiechter to the Chief Executive Officers of Savings Associations, which revised the August 16, 1993 interim policy statement (permitting associations to adopt SFAS No. 115 for financial reporting and capital purposes). The November 28 policy statement gave associations the option either to follow the revised policy for submission of their December 1994 Thrift Financial Reports (TFRs), or to defer implementation as late as submission of their June 1995 TFRs. The OTS provided this optional transition period to give associations sufficient time to plan for the effects of the revised policy on their regulatory capital and to take any appropriate business actions.

SFAS No. 115's mark-to-market requirements by purchasing or retaining whole loans instead of similar loans that had been securitized and guaranteed by government sponsored enterprises or the private market. This approach could harm associations because many loans have greater credit risk than guaranteed, high-quality mortgage-related securities.

Other commenters submitted that the OTS interest-rate risk model and capital component already capture and address associations' interest rate risk exposure. They argued that adoption of SFAS No. 115 for capital purposes was unnecessary, could conflict with the interest-rate risk model and component, and could result in a double hit to capital for interest rate swings.

Commenters opposing the proposal also argued that its adoption would lead to associations' focusing too much attention on the short-term effects of investment decisions instead of long-term economic viability. Commenters also raised the possibility that adoption of the proposal would make an association reluctant to sell securities from its held-to-maturity portfolio for fear of having its entire held-to-maturity portfolio reclassified as available-for-sale, thereby limiting an association's flexibility to manage its investments properly.

Several commenters were critical of the market value accounting approach imposed by SFAS 115 because it includes in capital unrealized gains and losses that might never be realized by an association and so could present a misleading picture of an association's current financial condition. Commenters also submitted that SFAS 115 is inconsistent in its approach because it requires institutions to account for certain assets at fair market value while liabilities are valued at cost.

B. Comments Supporting a SFAS No. 115 Component

The two commenters supporting the OTS proposed rule believed that the OTS's adoption of SFAS No. 115 for regulatory capital purposes was consistent with GAAP and the Agencies' requirements that institutions comply with SFAS No. 115 for regulatory reporting purposes. These commenters reasoned that the proposal would minimize the reporting and systems burden that would otherwise result if the SFAS No. 115 capital component is treated differently in regulatory capital calculations than in GAAP and regulatory reports. Second, these commenters stated that the OTS's adoption of SFAS No. 115 for regulatory capital purposes would be consistent with Congressional intent as manifested

in section 121 of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA),⁷ which provides that Federal banking agency regulatory accounting policy applicable to reports or statements filed with those agencies be no less stringent than GAAP. One commenter contended that including the SFAS No. 115 equity component in regulatory capital would protect associations and the deposit insurance fund by causing associations to control their interest-rate risk exposure. This commenter believed that SFAS No. 115 gives associations the appropriate incentive to hold shorter duration securities and to limit their interest-rate risk exposure to avoid drops in their capital levels.

Finally, one commenter contended that not adopting SFAS No. 115 for regulatory capital purposes would arguably allow institutions temporarily to hide their losses and to defer appropriate supervisory action. This would be inconsistent with prudent asset liability management and ultimately with protecting the SAIF from losses not otherwise included in regulatory capital. Furthermore, failure to include unrealized losses in regulatory capital would give associations, particularly undercapitalized ones, an incentive to speculate on interest rates by holding unhedged long-term securities.

C. Comments Suggesting Alternative Ways of Incorporating a SFAS No. 115 Component

The majority of commenters opposing the proposal supported excluding the SFAS No. 115 equity component from regulatory capital altogether. Several commenters, however, suggested alternative methods of incorporating SFAS 115 into the OTS's regulatory capital regulation. One commenter recommended that, if SFAS No. 115 was going to affect regulatory capital, that it only be included in supplementary capital or in risk-based capital computations. Commenters also argued that, even if the SFAS No. 115 equity component was included in regulatory capital, it should be excluded from computations and determinations relating to PCA, insurance premiums, lending limits, and other differential regulations based on capital levels. Other commenters recommended that the OTS propose a method for balancing the mark-to-market adjustment for available-for-sale securities with offsetting adjustments to associations' deposits, other liabilities, and hedging instruments. Finally, several

commenters recommended that OTS institute a three-quarter lag similar to that used with the interest-rate risk component to reduce the effects of temporary market fluctuations and to give associations time to take action ameliorating the effects of their unrealized losses.

IV. The Final Rule

After considering all the comments received, the OTS, in consultation with the other Agencies, has decided not to adopt its proposal to include the SFAS No. 115 equity component in computing regulatory capital. Savings associations, however, must follow SFAS No. 115 for regulatory reporting purposes, as required by statute. This decision leaves in effect the OTS's current requirement that nontrading debt securities be valued at amortized cost and nontrading marketable equity securities be valued at the lower of fair value or amortized cost for computing regulatory capital.⁸ This decision is consistent with the recommendation of the Task Force on Supervision of the FFIEC and the policies of the other Agencies.⁹

Based on the comment letters received, the OTS determined that adoption of the proposal could potentially have an inappropriate impact on associations' regulatory capital and result in an inaccurate picture of their capital positions. For example, fluctuations in interest rates could cause temporary changes in regulatory capital levels, which in turn could trigger more permanent regulatory intervention and inappropriately affect industry profitability. In addition, including the SFAS No. 115 adjustment in capital could potentially distort an association's capital position by giving the same weight to an association's SFAS 115 component as is given to its common stock, paid-in surplus, and retained earnings. Also, changes in the value of institutions' assets from interest rate changes would not be properly balanced by offsetting changes in the value of institutions' liabilities and hedge positions.

The OTS is also concerned that adoption of the proposal would encourage management to place excessive weight on the accounting implications of their decisions, rather than on their long-term economic impacts. Associations could potentially take actions or make investment

⁸ See current 12 CFR 567.1(d) and the OTS's November 28, 1994 interim policy statement, which provided that the SFAS No. 115 capital component could no longer be included in regulatory capital.

⁹ See 59 FR 60552 (November 25, 1994) (OCC), 59 FR 63241 (December 8, 1994) (FRB), and 59 FR 66662 (December 28, 1994) (FDIC).

⁷ Pub. L. 102-242 (1991).

decisions to avoid the effects of SFAS No. 115 that could give associations more flexibility in the short run but might not enhance the associations' long-term viability.

The OTS considered the comments received regarding FDICIA's requirement that regulatory accounting policy be no less stringent than GAAP. Section 121 of FDICIA¹⁰ requires that policies applicable to reports and statements filed with the Federal banking agencies generally conform to GAAP. The section, however, does not require the calculation of an institution's regulatory capital or the components of regulatory capital to conform to GAAP, and the legislative history of the section indicates that was not necessarily the intent of Congress.¹¹ Furthermore, calculation of associations' risk-based capital requirements under the OTS capital rule is based on principles that are so fundamentally different from GAAP that comparing the stringency of the OTS rule with GAAP is not meaningful. Accordingly, we do not believe that Congress intended the OTS to make such a comparison.

By adopting SFAS No. 115 for regulatory reporting purposes, the OTS is complying with the requirements of section 121 and is utilizing a uniform approach with the other Agencies. Adoption of such a uniform approach also complies with FDICIA's requirement that each Federal banking agency "maintain uniform accounting standards to be used for determining compliance with statutory or regulatory requirements of depository institutions."¹² Adoption of this uniform interagency policy also is consistent with the general goal of regulatory uniformity set forth in Section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994 (CDRIA).¹³

The OTS did consider alternatives suggested by several commenters including counting the net unrealized holding gains and losses on available-for-sale securities in risk-based or supplementary capital calculations, or including net unrealized holding gains and losses on available-for-sale securities in regulatory capital but excluding the adjustment from capital calculations tied to other regulations. However, the OTS believes such approaches would be too complex and burdensome and potentially could

require a savings association to maintain yet another set of capital calculations. Furthermore, because SFAS No. 115 significantly increased the number of securities subject to market valuation, including the unrealized gains and losses in risk-based capital may contribute to volatility in regulatory capital levels.

The OTS has decided, therefore, to retain its current requirements that available-for-sale debt securities be valued at amortized cost and that marketable equity securities be valued at the lower of amortized cost or fair value. This is consistent with the current capital treatment of these securities by the other Federal banking agencies.

To conform the capital rule's definition of "common stockholders' equity" to the terminology and standards used in SFAS No. 115, however, this rule substitutes the phrase "net unrealized losses on available-for-sale equity securities with readily determinable fair values" instead of "net unrealized losses on non-current marketable equity securities."¹⁴ The latter phrase was based on terminology included in the SFAS No. 12 accounting standard, which was superseded by SFAS No. 115. The new terminology of the revised regulation encompasses the identical types of securities as the pre-existing regulation.

Finally, the OTS will continue to consider unrealized gains and losses on securities, regardless of their classification under SFAS No. 115 or this rule, as a factor in various supervisory determinations. For example, an association's unrealized gain or loss on securities would be an appropriate factor for an examiner to consider in evaluating the adequacy of the association's level of regulatory capital or in making discretionary supervisory determinations, such as the reasonableness of associations' capital distributions.

Regulatory Flexibility Act

Pursuant to section 605(b) of the Regulatory Flexibility Act, it is hereby certified that this final rule will not have a significant economic impact on a substantial number of small entities. Accordingly, a regulatory flexibility analysis is not required. This final rule is not expected to increase the capital requirements of a substantial number of small entities. This final rule is not expected to have a disparate effect on the capital levels of small entities as opposed to larger entities; rather the

effect on capital will be minimal regardless of savings association size.

Executive Order 12866

The OTS has determined that this final rule is not a significant regulatory action under Executive Order 12866.

Unfunded Mandates Reform Act of 1995

The OTS has determined that this final rule will not result in the expenditure by State, local, and tribal governments, in the aggregate, or by the private sector, of \$100,000,000 or more in any one year, and therefore is not a significant regulatory action under Section 202 of the Unfunded Mandates Reform Act of 1995, Pub. L. 104-4, 109 Stat. 64 (signed into law on March 22, 1995).

Paperwork Reduction Act

The OTS has determined that this final rule will not increase the regulatory paperwork burden of savings associations pursuant to the provisions of the Paperwork Reduction Act, 44 U.S.C. 3501 *et seq.*

List of Subjects in 12 CFR Part 567

Capital, Reporting and recordkeeping requirements, Savings associations.

Authority and Issuance

For the reasons set forth in the preamble, the Office of Thrift Supervision hereby amends part 567, chapter V, title 12, Code of Federal Regulations, as set forth below:

Subchapter D—Regulations Applicable to All Savings Associations

PART 567—[AMENDED]

1. The authority for part 567 continues to read as follows:

Authority: 12 U.S.C. 1462, 1462a, 1463, 1464, 1467a, 1828 (note).

2. Section 567.1 is amended by revising paragraph (d) to read as follows:

§ 567.1 Definitions.

* * * * *

(d) *Common stockholders' equity.* The term *common stockholders' equity* means common stock, common stock surplus, retained earnings, and adjustments for the cumulative effect of foreign currency translation, less net unrealized losses on available-for-sale equity securities with readily determinable fair values.

* * * * *

Dated: August 3, 1995.

¹⁰ 12 U.S.C. 1831n(a).

¹¹ See generally H.R. Rep. No. 102-330, 102d Cong., 2d Sess. 119 (1991).

¹² 12 U.S.C. 1831n(b).

¹³ Pub. L. 103-325, 108 Stat. 2160.

¹⁴ See current version of 12 CFR 567.1(d).

By the Office of Thrift Supervision.
Jonathan L. Fiechter,
Acting Director.
 [FR Doc. 95-19854 Filed 8-14-95; 8:45 am]
 BILLING CODE 6720-01-P

FARM CREDIT ADMINISTRATION

12 CFR Parts 611, 618, and 620

RIN 3052-AB43

Organization; General Provisions; Disclosure to Shareholders; Technical Assistance and Financially Related Services; Member Insurance; Correction and Effective Date

AGENCY: Farm Credit Administration.
ACTION: Final rule correction and notice
 of effective date.

SUMMARY: The Farm Credit Administration (FCA) published a final regulation under parts 611, 618, and 620 on June 30, 1995 (60 FR 34090). The final regulation defines what constitutes technical assistance, financial assistance, and financially related services and what types of activities the Farm Credit System institutions are authorized to provide. This regulation supersedes and replaces the existing FCA Board Policy and Booklet on Out-of-Territory Financially Related Services published in 1993. This document also corrects a typographical error that appeared in the publication of the final regulation. In accordance with 12 U.S.C. 2252, the effective date of the final rule is 30 days from the date of publication in the **Federal Register** during which either or both Houses of Congress are in session. Based on the records of the sessions of Congress, the effective date of the regulation is August 8, 1995.

EFFECTIVE DATE: The regulation amending 12 CFR parts 611, 618, and 620 published on June 30, 1995 (60 FR 34090) and this correction to that final regulation are effective August 8, 1995.

FOR FURTHER INFORMATION CONTACT:

Linda C. Sherman, Policy Analyst,
 Regulation Development, Office of
 Examination, Farm Credit
 Administration, McLean, Virginia
 22102-5090, (703) 883-4498, TDD
 (703) 883-4444,

or

Joy E. Strickland, Senior Attorney,
 Regulatory Operations Division,
 Office of General Counsel, Farm
 Credit Administration, McLean,
 Virginia 22102-5090, (703) 883-4020,
 TDD (703) 883-4444.

SUPPLEMENTARY INFORMATION: In
 preparing the final rule for publication

in the **Federal Register**, a portion of the
 text was inadvertently omitted in the
 first sentence of § 618.8025(a).

List of Subjects

12 CFR Part 611

Agriculture, Banks, banking, Rural
 areas.

12 CFR Part 618

Agriculture, Archives and records,
 Banks, banking, Insurance, Reporting
 and recordkeeping requirements, Rural
 areas, Technical assistance.

12 CFR Part 620

Accounting, Agriculture, Banks,
 banking, Reporting and recordkeeping
 requirements, Rural areas.

PART 618—GENERAL PROVISIONS

1. The authority citation for part 618
 continues to read as follows:

Authority: Secs. 1.5, 1.11, 1.12, 2.2, 2.4,
 2.5, 2.12, 3.1, 3.7, 4.12, 4.13A, 4.25, 4.29, 5.9,
 5.10, 5.17 of the Farm Credit Act (12 U.S.C.
 2013, 2019, 2020, 2073, 2075, 2076, 2093,
 2122, 2128, 2183, 2200, 2211, 2218, 2243,
 2244, 2252).

Subpart A—Related Services

2. On page 34101, first column, the
 first sentence of paragraph (a) is
 corrected to read as follows:

§ 618.8025 Feasibility reviews.

(a) Prior to an association offering a
 related service program for the first time
 or offering a service that it did not offer
 during the most recently completed
 business cycle (generally 1 year), the
 board of directors of the funding bank
 must verify that the association has
 performed a feasibility analysis
 pursuant to § 618.8020. * * *

* * * * *

Dated: August 9, 1995.

Floyd Fithian,

Secretary, Farm Credit Administration Board.

[FR Doc. 95-20161 Filed 8-14-95; 8:45 am]

BILLING CODE 6705-01-P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 25

[Docket No. NM-116; Special Condition No.
 25-ANM-104]

Special Condition: Israel Aircraft Industries (IAI), Model Astra SPX, High- Intensity Radiated Fields

AGENCY: Federal Aviation
 Administration, DOT.

ACTION: Final special condition; request
 for comments.

SUMMARY: This special condition is
 issued for the Israel Aircraft Industries
 (IAI) Model Astra SPX airplane. This
 new airplane utilizes new avionics/
 electronic systems, such as electronic
 displays and electronic engine controls,
 that perform critical functions. The
 applicable regulations do not contain
 adequate or appropriate safety standards
 for the protection of these systems from
 the effects of high-intensity radiated
 fields (HIRF). This special condition
 contains the additional safety standards
 that the Administrator considers
 necessary to establish a level of safety
 equivalent to that established by the
 existing airworthiness standards.

DATES: The effective date of this special
 condition is July 26, 1995. Comments
 must be received on or before
 September 14, 1995

ADDRESSES: Comments on this special
 condition may be mailed in duplicate
 to: Federal Aviation Administration,
 Office of the Assistant Chief Counsel,
 Attn: Rules Docket (ANM-7), Docket
 No. NM-116, 1601 Lind Avenue SW.,
 Renton, Washington, 98055-4056; or
 delivered in duplicate to the Office of
 the Assistant Chief Counsel at the above
 address. Comments must be marked:
 Docket No. NM-116. Comments may be
 inspected in the Rules Docket
 weekdays, except Federal holidays,
 between 7:30 a.m. and 4:00 p.m.

FOR FURTHER INFORMATION CONTACT:
 Timothy Dulin, FAA, Standardization
 Branch, ANM-113, Transport Airplane
 Directorate, Aircraft Certification
 Service, 1601 Lind Avenue SW.,
 Renton, Washington, 98055-4506;
 telephone (206) 227-2141.

SUPPLEMENTARY INFORMATION:

Comments Invited

The FAA has determined that good
 cause exists for making this special
 condition effective upon issuance;
 however, interested persons are invited
 to submit such written data, views, or
 arguments as they may desire.
 Communications should identify the
 regulatory docket and special condition
 number and be submitted in duplicate
 to the address specified above. All
 communications received on or before
 the closing date for comments will be
 considered by the Administrator. This
 special condition may be changed in
 light of the comments received. All
 comments submitted will be available in
 the Rules Docket for examination by
 interested persons, both before and after
 the closing date for comments. A report
 summarizing each substantive public